

Preventing Insurance Fraud

THE DISTRICT OF COLUMBIA DEPARTMENT OF
INSURANCE, SECURITIES AND BANKING



**FRAUD
AWARENESS
WEEK**

JULY 9 - 14

**INCREASE
AWARENESS,
REDUCE RISK**

During the Association of Certified Fraud Examiner's National Fraud Awareness Week, the D.C. Department of Insurance, Securities and Banking will bring you resources and information on fraud prevention. This week is one to teach consumers and businesses about recognizing various types of financial-services fraud, how to prevent them, and how to fight against them.

The Government of the District of Columbia Department of Insurance, Securities and Banking (DISB) regulates all financial-service businesses in the District of Columbia. Call (202) 727-8000 or visit its Web site at www.disb.dc.gov.

TYPES OF INSURANCE FRAUD

- Sliding—Agent sells more insurance than you need.
- Twisting—Agent replaces your policy with a new, more expensive one without your permission and pockets additional premium.
- Exaggerated Claims
- Vehicle Scams
- Falsifying theft reports

—Maryland Insurance Administration

What is INSURANCE FRAUD

Insurance fraud occurs when people deceive an insurance company or agent to collect money to which they are not entitled. Similarly, it also occurs when insurers and agents defraud consumers, or even each other. It is a deliberate deception perpetrated against honest, unsuspecting people for financial gain. New schemes arise all the time; some are highly organized and involving hundreds of collaborators.

Fraud may be committed at different points in the insurance transaction by different parties: applicants for insurance, policyholders, third-party claimants or professionals who provide services to claimants.

Common types of insurance fraud are staged accidents, padding estimates, arson-for-profit, exaggerated injuries and inflated medical

bills. According to the National Insurance Crime Bureau, it is estimated that the average American household pays \$300 a year in additional premiums to compensate for insurance fraud. That's an estimated \$30 billion a year. In addition, consumers may become victims of deceptive insurance sales practices and the insurance you buy isn't legitimate. You have not only wasted the money you paid for premiums but you could face hundreds or thousands of dollars in unpaid claims. Following are some tips from the National Association of Insurance Commissioners to protect you from becoming a victim.

What are Deceptive Sales Practices?

Inappropriate sales practices, or the deliberate deception of a consumer, can occur in any line of insurance, including auto, homeowners, health, life, worker's compensation and medical malpractice. Compa-

nies or agencies may sell illegal products or policies through direct-mail solicitations, newspaper or magazine advertisements or over the Internet. Anyone can be a victim of deceptive sales practices. But, with a few simple measures, you can protect yourself.

Verify the Company and Agent

To be able to sell insurance in the District of Columbia, companies and agents must be licensed. To confirm the credibility of a company or agent, contact the D.C. Department of Insurance, Securities and Banking (DISB), and ask the following questions:

- Is the company licensed?
- Is the company licensed to sell the line of insurance you are interested in purchasing?
- Is the agent licensed and a legitimate representative of the company?
- Does the company have a good record of dealing with

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Medicare Recipients: Beware of Scam Artists Selling Medicare Prescription Drug Coverage

The federal government has started a new Medicare Prescription Drug coverage benefit for Medicare beneficiaries. Private insurance companies, whose plans have been approved by Medicare, have been selling these new Medicare Prescription Drug Plans

(also called PDPs). Enrollment for the program began Jan. 1, and ended in May. Insurance agents are selling this product to Medicare beneficiaries and there are millions of people on Medicare who are eligible for the program. DISB cautions consumers that scam artists will

try to take advantage of the situation and steal their money.

Here are some tips to avoid becoming the victim of a scam artist:

- No one can come into your home uninvited.

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INSURANCE FRAUD

What is Insurance Fraud

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complaints?

- Have any complaints been filed against the agent?

Check Their Credit Rating

Legitimate insurers have their creditworthiness rated by independent agencies such as Standard & Poor's, A.M. Best Co. or Moody's Investors Services. An "A+++" or "AAA" rating is a sign of a company's strong financial stability. You can check a company's rating online or at your local library.

The Proof is in the Paperwork

As you complete your research and decide to purchase a particular policy, it's important

to keep detailed records. Get all rate quotes and key information in writing. Also, once you've decided to make a purchase, keep a copy of all paperwork you complete and sign, as well as any correspondence, special offers and payment receipts. Please note: You should receive a copy — not a photocopy — of your new policy within 30 to 60 days of purchase. If you do not receive your copy, contact the insurance company or agent immediately.

Insurance "Red Flags"

Watch for these "red flags" that could warn you of possible deceptive sales practices:

- *High-pressure sales pitch.* If a particular group or agent has contacted you repeatedly, offering a limited-time offer that makes you uncomfortable or aggravated, trust your in-

stincts and steer clear.

- *Quick-change tactics.* Skilled scam artists will try to prey on your "time fears." They may try to convince you to change coverage quickly without giving you the opportunity to do adequate research.

- *Unwilling or unable to prove credibility.* A licensed agent will be more than willing to show adequate credentials.

- If it seems too good to be true, it probably is!

Get More Information

DISB is your best source for information on company and agent requirements, as well as available products. If you suspect you've been a victim of deceptive sales practices, report it. You can visit DISB's Web site at www.disb.dc.gov or call at (202) 727-8000.

Never Sign
Blank
Insurance
Claim Forms.

Medicare Recipients

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- No one can ask you for personal information during their marketing activities.
- Always keep all personal information, such as your Medicare number in a safe place as you would a credit card or a bank account number.
- Whenever you have a question or concern about any activity regarding Medicare, call 1-877-

CONSUMER TIPS

HOW TO AVOID BECOMING A VICTIM OF INSURANCE FRAUD

You can protect yourself against insurance service scams by staying alert, asking questions and going slowly, or opting out if an insurance transaction seems suspicious or too good to be true.

Following are some tips to help you identify and avoid insurance fraud. For more information, contact DISB's Enforcement and Investigation Bureau at (202) 727-8000 or (202) 727-1563.

INSURANCE ANTI-FRAUD TIPS

- Contact *DISB* to verify that the agent and company are licensed.
- Never sign blank insurance claim forms.
- Demand detailed bills for repair and medical services. Check closely for accuracy.
- Make sure "free services" aren't actually hidden in your insurance bill.
- Be suspicious if the price of insurance seems too low to be true.
- Keep your insurance identification number confidential; people can steal it and involve you in scams. Be wary if a car suddenly pulls in front of you, forcing you to



The faceless victims of insurance fraud.

follow dangerously close. You may be set up for a staged accident. After an auto accident, be careful of strangers who offer you quick cash or urge you to see a specific medical clinic, doctor or attorney. They could be part of a fraud ring. Contact *DISB* at (202) 727-8000 if you think you're being scammed or someone asks you to take part in a fraud.

7SAFERX (1-877-772-3379). All approved plans are available at www.medicare.gov or call 1-800-HHS-TIPS.

- Legitimate Medicare drug plans will not ask for payment over the telephone or the Internet. They must send a bill to the beneficiary for the monthly premium.
- Beneficiaries can pay automatically by setting up a monthly withdrawal from their Social Security check. Beneficiaries may also pay by monthly check or set up an automatic withdrawal from a bank account, but beneficiaries must call their plan or respond to a mailed payment request from the plan to do this. Check with DISB's Web site at www.disb.dc.gov to make sure the salesman is licensed as an agent.